HUMAN EVENTS

Vol. XIV, No. 44 Saturday, November 2, 1957 Washington, D. C.

News Section *Printed in Two Sections*

CONSERVATIVES: *The "coalition" returns*....(page 1)

DULLES: *Accent on strength*....(page 1)

NAACP: *Investigation looms*....(page 2)

BRITISH ATOMS: *Mystery at Windscale*....(page 2)

The perils of pooling....(page 4)

The Rise of Conservatism: When the founder of the socialistic Fair Deal, former President Truman, this week called for Senator Symington to lead the Democrats to victory in '60, he recognized the prevailing conservative trend in the country.

Symington, of course, is a "phony" conservative, like Senator Kennedy — voicing sweet words to the Right, while voting Left. But Truman, who knows where the votes lie, publicly abandoned his "liberal"-talking idol, Governor Harriman: Harry knows what tune to sing — even if it's only a tune. The gesture was not lost in the Capital.

The Capital, however, finds far more important the confidence exuding from conservative Republicans in Congress. "The golden years return" is their refrain — as Representative Simpson, GOP wheel horse in the House, makes official their independence from "modern Republicanism" and White House dominance, by pronouncing the death of "coattail" riding. (See HUMAN EVENTS for October 26, 1957.)

But what is especially significant to observers is that these right-wing GOP Members of Congress speak confidently of a revival of the "old coalition" of Southern conservative Democrats and Northern Republicans. (That coalition long ruled Capitol Hill, but suffered badly during the civil rights battle last summer.)

Now the "harmony duo" — Senator Russell, powerful Southern Democrat, and Senator Styles Bridges, "Mr. Republican of the Senate" — occupies the center of the stage. Both demand, obviously after private consultation, that the White House wake up to the menace of the "Sputnik."

Those in the know say that Senator Bridges, reported to have gone to Florida "for his health," actually is very busy in that state reforging the "old coalition" in conferences with Florida Senators Smathers and Holland, as well as with other Southern Democratic figures.

Under the Capitol Dome, it is said that Bridges, as Chairman of the Senate Republican Policy Committee, will be the real, though unofficial, Leader of the Senate Republicans next session. Knowland will remain only as titular Leader, until next summer (when he retires); he will be busy running for the Governorship of California. Republican Senators, recognizing that Knowland will have to "play politics" for that race, prefer that he be Leader in name only; but he must be that — so as to keep out Senator Everett Dirksen, White House favorite for the post. These Senators will take their cues from Bridges. Such an arrangement will foster continuance of the "old coalition."

Bridges was ill and out of the Senate during last session's civil rights imbroglio. It is known that he thoroughly disapproved of Knowland's policy of trying to force through the Administration's tough bill. The Southerners will consequently welcome his return to a position of dominance on the other side of the aisle.

Meanwhile, echoes from various parts of the country have the same pitch. Word comes from Arizona that Senator Barry Goldwater is making excellent progress in his campaign for re-election, by emphasizing his opposition to "modern Republicanism." And, say sources in Wisconsin, former Representative Glenn Davis — symbol of the right-wing GOP in that state — now seems likely to win the Senatorial nomination to oppose incumbent Democratic Senator Proxmire.

Inside the State Department: Unpublished version of the British Premier's visit to Washington is that it really amounted to a Dulles-Macmillan conclave, not an Ike-Macmillan meeting (as pictured in the press). The British leader actually spent only an hour and a half with Ike, but he toiled a good 20 hours in earnest discussion with the Secretary of State. Ike simply okayed the outcome of the Dulles-Macmillan agreements.

● In these talks, Dulles — flushed with his success in outblustering Khrushchev over the body of Turkey — took the offensive for a strong Anglo-American front against Soviet aggression. Joining in some of these talks were members of the Joint Chiefs of Staff, who struck a truculent attitude towards Soviet military strength, and emphasized the dominance of our Strategic Air Command. "That's the way my Air Marshals talk," nodded the British Premier, approvingly.

● In these confabs, Dulles and Macmillan buried the idea of any Summit Conference with Khrushchev, a thought that had been advanced by Harold Stassen.

Stassen has touched a new low in prestige, according to State Department circles. Dulles and even "liberal" Under Secretary Herter rarely find time to see him. This helps to explain Childe Harold's public announcement this week that he will seek the Republican nomination for the Governorship of Pennsylvania — the faintest hope of all.

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● Unreported has been the fact that Dulles pressed Macmillan to break relations with Red China. He said that Peiping's promise to help the Red puppet Government of Syria rendered this necessary. Macmillan, formerly cool to such ideas, was this time merely reserved. He did not say "no," did not say "yes." The Conservative Premier pleaded difficulties in the House of Commons, with the Labor opposition and some Tories unwilling to support a break with Red China.

Dulles' "strong" policy seems to be bearing fruit. The latest version of the purge of Zhukov runs as follows: Khrushchev now seeks to make the famous Marshal the goat for the former's abortive attempt to bully Turkey; now Khrushchev talks of "peace" and explains his removal of his most powerful rival by blaming him for "saber rattling."

Stock Market: This News Section pleads guilty to an error last week in suggesting that President Eisenhower's announcement of a series of nation-wide broadcasts on business and defense affairs had contributed to strengthening market sentiment. On the morrow of the big stock-market rally of October 23 (which followed the President's promise), many publications similarly erred in connecting the two events.

By this time, market analysts have carefully reviewed all the circumstances and come to the conclusion that the President's announcement had very little, if anything, to do with the famous market rally. Many brokers attribute it to an inevitable technical recovery overdue after an almost three-month decline in stock prices. Short selling interests were involved, together with rumors that the Fed would ease money rates.

Psychology — sparked by such rumors or even by authoritative announcements — often produces such phenomena. Thus "old traders" dug up the records and examined the rally of November 14, 1929 (which followed the famous "crash" two weeks earlier, "Black Tuesday"). That November rally was indeed inspired by official announcements of President Hoover and Secretary of the Treasury Mellon. Those officials declared their intention of recommending a reduction of corporation taxes. *The Wall Street Journal* hailed the events in a headline: "Stocks Rally as Congress Prepares for Tax Reduction."

NAACP: Unfolding day by day in the Capital has been a series of "police brutality" hearings — instigated by the National Association for the Advancement of Colored People — before the Board of Commissioners, the governing body of the District of Columbia. The District chapter of the NAACP, headed by Eugene Davidson, has charged District Police Chief Robert Murray with condoning brutal treatment of Negroes and with discrimination between white and Negro members of the police force.

A preliminary investigation was held by the Justice Department — at the request of the Commissioners — to determine whether there were grounds for Federal action concerning the NAACP's charges. The Department's finding was that "the evidence does not warrant criminal prosecution for violation of the civil rights statutes." In the hearings themselves, it was brought out that Davidson, before bringing his charges against Chief Murray, gave only cursory examination to the accusations of his witnesses.

As the hearings moved into their final phase this week, Congressman Joel Broyhill (R.-Va.), a member of the District of Columbia Committee, demanded an investigation of Davidson's NAACP chapter. "The Washington branch of the NAACP," Broyhill stated, "has engaged in reckless accusations and unreasonable demands which, I fear, have had a very adverse effect on the efficiency and morale of one of the finest police organizations in the Nation."

"One is forced to wonder," Broyhill concluded, "how long this racial association will have officials in high places jumping through hoops."

The Torment of Secrecy: Pundits who decry security measures to keep U.S. atomic secrets out of Communist hands are silent about the current "torment of secrecy" that is depriving the United States of valuable information. This secrecy is engaged in by the Government of Great Britain, which is keeping close to its vest the story of what, exactly, has happened at its atomic research station in Windscale.

Fragmentary reports by press agencies from England, that the plant at Windscale may be closed permanently, confirm the HUMAN EVENTS story of October 26, 1957, indicating that an accident of major proportions had occurred there. The question that worries Capital students of atomic power: can a similar accident, spraying radioactive matter about the countryside, occur at one of the "peaceful-uses" atomic reactors located near population centers in the United States?

This problem, which throws considerable doubt on the advisability of locating atomic reactors near centers of population, was foreshadowed almost two years ago in a HUMAN EVENTS article by David Shea Teeple, entitled "Nuclear Nonsense" (February 11, 1956). It emphasizes, say students of nuclear problems, the uncertain value of "collaboration" with England in matters of atomic energy.

Senator Clinton P. Anderson (D.-N.M.) — noting British silence on the Windscale accident — has in the past 48 hours called into serious question the possibility of "pooling" nuclear information with England. Anderson, considered the most powerful figure on the Joint Atomic Energy Committee, serves warning that he will personally insist on "rigid security protections" and a "definite exchange basis with any country given access to U.S. nuclear weapons manufacturing technology." This statement, say observers, insures that the matter of "pooling" will become a burning issue on Capitol Hill in January. (See "The Perils of Pooling," on page 4 of the News Section.)

Missile Program: The new Secretary of Defense, Neil McElroy (late of Procter and Gamble), is still "selling

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soap." Such is the observation on his announcement early this week that he was going to spend more money on research and development of missiles. For the smart boys in offices and laboratories know that "more money," more "appropriations," will not solve the problem of how to defeat the Communists in the missile race.

They still await positive sign that the "crash program" (reportedly demanded behind closed doors by the Joint Chiefs) will materialize — a program to assign priorities (this, not more funds, is seen as the essential step) and to organize a sustained effort along this line, similar to that which produced the atom bomb in the last war. Once a "priority" missile program is proclaimed, it is said, there will be no question of American scientists wasting their time producing "frills" for civilian industries. They will answer the call of national duty, to turn out the best missile possible in the shortest time.

Some of this philosophy appears in the recent speech by a prominent American scientist, Dr. C. D. W. Thornton, before the Indiana Library Trustees Association in Indianapolis, October 18. Dr. Thornton was formerly Chief of Operations Analysis of the Atomic Energy Commission and once was Production Chemist at the Gaseous Diffusion Plant at Oak Ridge.

"Until more engineers are produced," remarked Dr. Thornton, "we must make do with what we have. What does this mean to the people of the U.S.A.? Simply this: you, the people, must decide the relative importance to you of nuclear power, earth satellites, new model autos, intercontinental missiles, color television, nuclear-powered military vehicles, such as submarines, surface vessels, aircraft and other present day 'necessities.' "

Thornton added: "Today, in retrospect, it begins to look as though we should not be striving so mightily to have bigger and better nuclear reactors, but should better focus our attention and competence in the satellite-missile field."

Dr. Thornton is one scientist who does not share the expansive generosity of the *Bulletin of the Atomic Scientists* (representing the left-wing, and the minority, of scientists) which is ready to open up our secret accomplishments to all and sundry. "The problem of shielding our interim technological successes from our enemies," Thornton said, "must be acted upon in a continuing and enlightened way. What is the way to get maximum technological performance without disclosing our decisively important ideas? Here we need to keep in mind the short-term optimization — *obviously, if in any game we disclose to our opponent every new play and strategy we have learned, without his letting us know of his new breakthroughs, then he'll beat us, because one day he will know everything we know, plus whatever else he's been able to discover for himself.*"

Not Merely Gossip: Labor experts, viewing AFL-CIO attempts to offset exposures of union corruption, are reminded of Governor Happy Chandler's quip: "The haystack's on fire; pour on more hay." Meeting in Washington last week, the Executive Council of the AFL-CIO "poured on more hay" by authorizing an annual budget of over $1 million — to be spent in pursuit of favorable publicity — for its public relations committee. This, say the labor analysts, is the real "corruption" that should be investigated: the massive appropriation of union funds — without consulting the wishes of the rank-and-file members — to advance the interests of the union bosses.

● "Liberals" of all hues are not missing a trick in utilizing the "Sputnik" panic as a pretext for their favorite schemes and spending programs. "Sputnik" has been wielded as a club for beating anti-Communist security regulations, economy in Government and opposition to "peaceful coexistence." Now it is being used to push Federal aid to education. Made public last week was a report to the President by The National Science Foundation, entitled "Basic Research — a Natural Resource." The report's key proposal is that the Federal Government subsidize "basic" research — rather than merely "applied" research on such things as nuclear weapons and guided missiles — to counteract the threat of the Soviet Union. While phrased as an argument for national defense — say analysts of the report — this proposal simply amounts to wholesale Government subsidization of any and all scientific ventures that cannot be paid for otherwise. (The report defines "basic" research as "*systematic, but without direction save that which the investigator himself gives it to meet the challenge of the unknown.*")

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The Declaration of Independence opens: "When in the course of HUMAN EVENTS . . ."

FRANK C. HANIGHEN, *Editor and Publisher*
JAMES L. WICK, *Executive Publisher*
Contributing Editors: FRANK CHODOROV, M. STANTON EVANS

HUMAN EVENTS, 1835 K Street, N.W., Washington 6, D. C., is a weekly newsletter reporting from Washington on politics, business, labor and taxes. It was founded in 1944 by Frank C. Hanighen. Published usually in two sections: a 4-page news section and a 4-page article section. Entered as second class matter at Washington, D. C. Copyright 1957.

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THE PERILS OF POOLING

England's Atomic Security Record Is Bad

By EDNA FLUEGEL

Last week President Eisenhower promised to ask Congress to amend the Atomic Energy Act "as may be necessary and desirable to permit of close and fruitful collaboration of scientists and engineers of Great Britain, the United States, and other friendly countries." But Senator Clinton Anderson (D.-N.M.), a member of the Joint Congressional Atomic Energy Committee, promises that "it is not going to be a mere formality to get an Atomic Energy Act amended." He flatly asserts that: 1) *we do have important secrets;* 2) *we will lose them if we collaborate with the British, because the British security system is not tight enough.*

If it were true that "there are no secrets," then obviously the British would not need to ask us to *share* secrets, and the Communists would not commission espionage agents like Rudolph Abel — convicted last week —to *steal* them. You can neither share nor steal what does not exist. Experience indicates, furthermore, that the "collaboration" now asked for will put these same secrets in jeopardy.

Governments change in Great Britain as elsewhere. The Labor Party was in power, in December, 1950, when Prime Minister Attlee flew to Washington, proclaiming to the world that he would pressure President Truman into not authorizing the use of atomic weapons in Korea. Attlee is out, but Aneurin Bevan may well be Foreign Secretary in a British Labor Government in the near future. Bevan is currently moderating his public statements, but he has been bitter and relentless in his criticism of America. We shall not be dealing with a gracious Queen, nor with the generalization called "the friendly British people." When the chips are down, we shall be dealing with the Prime Minister and the Foreign Secretary and the Majority Party.

The United States, it is true, has also failed miserably in the matter of security: but it so happens that the worst Communist espionage disclosed to date has been by men whose access to classified material was through the British atomic project.

Here, briefly, is the record: When Igor Gouzenko, cipher clerk at the Soviet Embassy in Ottawa, defected in 1945 he opened a door to dank and smelly labyrinths that might have led to five men. **Dr. Allan Nunn May** was the only immediate catch. May was a British scientist who worked on the atom project at Cambridge in 1942, and in Canada from 1943-45 with British, Canadian and American scientists. He was arrested in 1945, and confessed to transmitting everything he knew to the Russians. He was sentenced to ten years.

Dr. Klaus Fuchs was born in Germany and was active in the Communist party there. He fled to England in 1933, took his doctorate, was interned as an enemy alien in 1940, and was one of the "British" scientists sent to the United States under the Quebec agreement in 1943. He returned to England in 1946 to work at the British center at Harwell, revisited the United States as a member of a British delegation in 1947, and was arrested at Harwell in 1950 on a lead supplied by the United States. His confession fully supports the widely quoted statement "he did more damage than any spy in the history of nations." He was sentenced to 14 years.

Professor Bruno Pontecorvo, Italian-born physicist, was a member of the Anglo-Canadian team at McGill. He also worked at Chalk River and Chicago and was associated with both May and Fuchs. After the war he became a naturalized British citizen and a senior specialist at Harwell. He left with his family "on vacation" in September 1950, while under suspicion. He reappeared in Moscow in March, 1955, as a Soviet atomic research worker. Before his flight he had worked on the hydrogen bomb.

In April, 1951, the Joint Congressional Committee on Atomic Energy observed: *"The conclusion seems reasonable that the combined activities of Fuchs, Pontecorvo, Greenglass* and May have advanced the Soviet atomic-energy program by 18 months as a minimum."*

One month after this report, two British diplomats "disappeared"—to reappear as Soviet advisers in Moscow in February, 1956. **Donald Maclean** and **Guy Burgess** were Communists at Cambridge. They operated in the policy and intelligence fields. Donald Maclean was Counsellor of Embassy in Washington, 1944-48, and a member of the Combined Policy Committee on Atomic Energy (note the tie-in); Burgess worked with intelligence, dealing with the European underground in the early years of the war. After a two-year interlude in Cairo, Maclean became head of the American Department of the Foreign Office in October, 1950 — *in time to transmit to the Russians, if he chose (and why wouldn't he choose?), the secret U.S. commitment not to take action that might involve attacks on the Manchurian side of the Yalu — such as bombing the bridges across which Communist men and supplies were poured into Korea — without consulting the British.*

Guy Burgess was in Washington where he, too, as a China expert, must have known of the commitment. Military experts, including General MacArthur, have affirmed that the Red Chinese entry which created "a new war" would have been foolhardy, unless the Reds knew (as MacArthur himself did not know until November 6) that MacArthur would not be allowed to bomb the bridges. As Secretary of the Army Brucker remarked about these two in February, 1956 (and surely he would include the other three): *They knew "secrets of priceless value to the Communist conspiracy . . . This successful subversive operation . . . illustrates . . . the depths of its penetration into the vitals of the Free World."*

Thousands of American soldiers needlessly dead in Korea — and an untold number who may yet die because of crucial atomic secrets funneled to the Communists — suggest that "collaboration" with those who do not take security requirements seriously is the shortest way to disaster.

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*Greenglass worked with Gold, who was a courier for Fuchs. Gold, Greenglass, Soble were Americans convicted as part of the Rosenberg ring.

Dr. Edna Fluegel is Chairman of the Department of Political Science at Trinity College, Washington, D. C., and a consultant to the Senate Internal Security Subcommittee.

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Vol. XIV, No. 44 HUMAN EVENTS November 2, 1957

Article Section *Printed in Two Sections*

WALTER REUTHER—ECONOMIC DEMAGOGUE
The Truth About Wages, Prices and Inflation

By SENATOR JOHN MARSHALL BUTLER
Republican of Maryland

THE WELL-WORN legend that businessmen have been reaping "excessive profits" is once more abroad in the land. As usual, the charge is advanced by some leaders of the labor union movement — particularly by CIO President Walter Reuther. Reuther's accusations, and the facts concerning the wage-price spiral of the American economy, need to be examined carefully.

Let us inspect the cold statistics compiled by the Department of Commerce. *In 1947 corporate profits before taxes were $29.5 billion. In 1956 they totaled $43 billion — an increase of $13.5 billion.* This increase, however, was only 9.2 per cent of the total increase in the national income. This is not a very big slice of the larger pie which our free enterprise economy created during this ten-year period. I refer to corporate profits before taxes deliberately, because Walter Reuther insists that this is the correct measure of corporate profits.

In a recent press release (sent to every member of the Congress) Reuther said:

"*. . . corporation profits taxes are designed to be paid out of corporation profits and not out of the consumer's pocket.* If Congress intended to raise the revenue involved from consumers, it would have levied a tax on them, rather than on corporate profits. Profits taxes are definitely not a cost like labor and material costs which have to be met whether or not there is a profit. Profits taxes are paid only if a profit is actually made."

All business costs, of course — including a return on capital, as well as taxes, labor costs and materials — must be paid by the consumer if a business is to remain solvent. We can therefore dismiss Reuther's statement as pure propaganda.

In 1947 corporation profits after taxes were $18.2 billion. In 1956 this figure had risen to $21 billion, an increase of only $2.8 billion. The increase in profits after taxes accounts for only 1.9 per cent of the $146.4 billion increase in the national income. On this basis, net profits are not high enough — Reuther to the contrary notwithstanding.

But what share of the national income did employees receive? The Department of Commerce shows that in 1947 employees received $128.8 billion, including employer payments for Social Security contributions and other benefit programs. By 1956 these payments had grown to $241.4 billion, an increase of $112.6 billion.

In short, these increased labor costs absorbed 76.9 per cent of the entire increase in national income during the decade. This is clearly the area where attention should be concentrated. Some people forget that the compensation of employees is not only income to the employee, but also a cost to the employer. It must be recovered in the price charged the consumer or we shall have neither employers nor employees.

CONSIDER THESE significant facts: *An examination of distribution of the increase in the national income through this decade shows that for every additional dollar of corporate profits after taxes, employees receive an additional $40.* Furthermore, labor's share of the total national income rose from 65.3 per cent in 1947 to 70.3 per cent in 1956.

On the other hand, corporate profits after taxes dropped from 9.3 per cent of the national income in 1947 to only 6.1 per cent in 1956.

If all corporate profits before taxes in 1956 had been paid as additional compensation to employees, their total income would have been increased by less than 18 per cent. However, if there were no corporate profits, the Government would have received $22 billion less from corporate income taxes. With the existing level of Government expenditures, higher personal income and consumer excise taxes would have been required. Since income taxes in the upper

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brackets have already reached the point of diminishing returns, most of this increase would of necessity have been imposed on lower-bracket taxpayers.

ALL OF THIS goes to show that the "profiteering" legend will not stand up as an explanation for the inflation that besets our economy. Let us turn, therefore, to the activities of the labor leaders, such as Reuther himself, and see if we can discover an answer there.

Next year the contracts between the United Automobile Workers and the producers in the automotive industry will expire. Reuther is attempting to appear as the champion of the consumer in preparation for new negotiations. He seeks to involve the President and the Congress of the United States in support of his proposal that the "biggest wage increase in the history" of his union could be met without inflationary price increases if the profits of the automobile manufacturers were lowered. I can testify to the elaborate material Reuther's press agents send to every member of the Congress.

Reuther has proposed that the three leading producers reduce the average wholesale price of their 1958 models by $100 per car. While he demands that the manufacturers make a specific reduction in the selling price of their product, he does not propose any reduction in wages.* On the contrary, all that he offers in return for an immediate price reduction is a very vague promise that he won't demand as much as he might have asked if the manufacturers had not complied with his request. This is hardly a *quid pro quo.*

In rejecting Reuther's proposal, Henry Ford II said: "Thus, having poured gasoline on the fires of inflation you now stand by and tell us *how to fight the blaze. In return you say you* will consider using less gasoline next time — or maybe only kerosene."

Reuther's concept of bargaining, I believe, imposes a threat to the maintenance of a competitive economy. In the first place, his proposal was addressed to the three leading manufacturers in the automotive industry, who — he says — account for 97 per cent of that industry's production. He implies that successful producers can pay wages higher than other firms which are making lower profits or are actually operating at a loss. He suggests that wages should be set to produce what he considers a fair return to the stockholders. Reuther's plan envisions participation by labor and the public in determining wage, price and profit policies. Obviously this theory is not compatible with a competitive economy.

Reuther has also indicated that he will request a four-day week with no loss in take-home pay, together with "substantial economic concessions including more for pensions, more for insurance, hospital and surgical benefits, and more supplementary unemployment pay."

A four-day week? While economists may not agree on the rate at which national productivity increases, *their individual estimates all fall within a range of one to four per cent annually.*

A four-day week with no loss in take-home pay — and no increase in costs — would require a 25 per cent increase in productivity. No one even suggests that this is immediately possible.

If the same production is to be maintained, industry must pay time-and-a-half for the fifth day. A four-day week with no loss in weekly take-home pay would require a 25 per cent increase in hourly wage rates. Time-and-a-half for the fifth day results in a total increase of 37½ per cent in average weekly wages.

REUTHER FOLLOWS a familiar pattern. He always initiates negotiations with the most profitable firms in the industry. He discusses their ability to pay and presents elaborate statistics to show that they earn a higher rate of return on their investment than the average manufacturer. He attempts to marshal public opinion in support of this position. His pleas are directed to community leaders — including the clergy, educators, legislators and the Executive Branch of the Government.

If history repeats itself, however, and Reuther succeeds in securing concessions from the three leading firms, he will then approach the remaining companies with whom the UAW has contracts, including hundreds of suppliers to "the big three," and *demand identically the same concessions on the basis that the new agreement has established a standard for the industry.* He cannot do otherwise, as members of his union employed by other companies who are paying the same dues and living and working in the same communities expect the union to secure comparable benefits for them. Furthermore, since all union leaders compete against each other for power within the framework of the AFL-CIO, every other trade union leader must

* George Romney of American Motors countered Reuther's proposal by suggesting that it would be acceptable if a corresponding cut in labor costs were made. Reuther is still "studying" that proposal.

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obtain comparable concessions to retain the support of his members. And so, the chain reaction begins.

Reuther is concerned with ability to pay only at the start of a new series of demands. If he succeeds, the usual evolution of price increases for all industry must take place. The average earnings of manufacturing corporations, to which he refers, of necessity include a few of the most successful firms as well as the many firms which make lower profits or operate at a loss. If wages are based on the ability of the most successful firms to pay them, average profits will soon fall to a level so low that they will jeopardize the survival of many others. This, in turn, will destroy the high living standards enjoyed by American labor.

While Reuther cites the rise in total profits, he fails to point out the tremendous increase in assets. They constitute additional plant and equipment as well as added working capital to employ more members of his union.

Reuther sent me tables showing the increase in profits for Ford and General Motors over a ten-year period. *He did not relate them to an increase in the assets of these two companies of almost $6 billion. He failed to mention that these additional assets had made it possible to increase total payrolls by almost $2.4 billion. He significantly did not note an increase in corporate income taxes of almost $830 million.*

Businessmen should be especially alarmed by Reuther's attitude as to the reinvestment of earnings by industry. The material which he sent me said: "Furthermore, we pointed out that the increase in the net worth of all three of these companies represents in the postwar period largely profits that have been ploughed back into the companies. It is an investment involuntarily contributed by consumers through prices set arbitrarily and unnecessarily high without giving the consumer any equity in companies and paying them any return on their investment."

The concept that a consumer should receive an equity from the company from which he has bought a product has been voiced by Reuther on previous occasions. This, too, is part of his program to modify American capitalism as we know it.

He shows that the reinvested profits of General Motors, Ford and Chrysler totaled more than $3 billion, but that there was a new investment of only a little more than $421 million. His theory of bargaining suggests no return should be allowed on these reinvested profits.

UNFORTUNATELY, inflation has reduced the purchasing power of the profit dollar; hence, much of the reinvested earnings have been used to replace worn-out facilities rather than to expand them.

Here is one striking illustration of this fact: The Thompson Products Company of Cleveland made a study of the cost of replacing a lathe purchased in 1942. The original lathe cost $12,000. Under the tax laws, it was depreciated over a 14-year period, so that in 1956 the company had $12,000 set aside to purchase a new lathe. In addition, it also realized $1,000 when the old lathe was sold. This gave them a total of $13,000. However, the lathe which cost $12,000 in 1942 was selling for $35,000 in 1956. Meanwhile, technological improvements in lathes had been made. Thompson Products found it necessary to buy an improved lathe at a cost of $67,000. Therefore, the company found itself with only $13,000 to buy a $67,000 piece of equipment. Where did it obtain the extra money?

The additional $54,000 was secured from reinvested earnings. In order to accumulate this amount after paying taxes, the company first had to make a profit of $112,000. To secure the funds merely to replace a piece of equipment, the Thompson Products Company was required to sell $1,250,000 of its products. This is the process which Reuther castigates as "a compulsory investment" by the consumer.

The CIO leader, who now claims to be a "moderate" and a supporter of "free enterprise," voices another dangerous concept. In commenting on Ford's reply to his proposal, Reuther said: "By calculating profits as a percentage of total assets Mr. Ford, in effect, was claiming the right to make a profit not *only on his own company's investment but also on other people's money.*" Reuther apparently believes that if you borrow money to use in your business, you should not earn a profit on it. Naturally, no businessman borrows money unless he believes he can earn a profit by so doing. *Anyone who objects to these profits does not believe in a free enterprise economy.*

Reuther's repeated attempts to secure participation in the pricing decisions of American business strike at the fundamental principles of a competitive economy. His recent maneuver is just another version of an old Reuther plan.

Late in 1945, one of the bitterest strikes in our history was waged over the issue of the responsibility of management to determine its pricing policies, in terms of the economics of

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a competitive market, without consultation with the union. It is significant that Reuther then also suggested a $100 price reduction coupled with a 30 per cent wage increase. The strike was finally settled with no yielding by management of its fundamental responsibilities.

Reuther then told a press conference: "The whole question of ability to pay was merely a public relations job on our part. It was used to put the company on the spot so that they would have to talk economics or be over a barrel."

From my close observation of Reuther's political interests, I am convinced that he regards the bargaining table as a platform for the acquisition of political power. *His statements clearly show that if he were in a position of greater political power, he would attempt to destroy competitive capitalism.*

Before the advent of pattern bargaining, lower prices for all Americans were the result of improved technology and increased capital investment. Every individual had an opportunity to advance further through experience and the development of superior skills. In recent years, however, national productivity has been preempted by certain union agreements. Labor costs have outdistanced national productivity, thus forcing prices to rise.

As a result, Government employees, retired people and farmers have suffered a great disadvantage. The efforts of these groups to equalize their position with organized labor has placed additional demands on budgets at all levels of Government. Increased labor costs require additional appropriations for Federal expenditures on defense materiel, one of the largest items in the Federal Budget. Similarly, the budgets of local and state governments have been strained to equalize the compensation of firemen, policemen and school teachers. With limited tax resources some have pressed for Federal aid to education and other grant-in-aid programs to states and local communities.

Meanwhile, price increases for manufactured goods have depressed the parity index for farm products. This automatically results in great expenditures by the Federal Government under our price-support programs. The harassed taxpayer is thus denied needed relief.

THIS IS the deadly circle of inflation and economic intervention by Government; it must be broken. After careful study, I have concluded that the first step in reversing this dangerous trend is to make it impossible for any group to exercise monopoly power.

In 1890, Congress passed the Sherman Act, the first great piece of legislation to control monopolies. It has given the Department of Justice effective means to disperse concentrated business power, and it has been used on many occasions. I am confident that the President, the Attorney General, and the Courts have adequate power to deal with industrial concentration. Furthermore, the Congress is always ready to consider additional legislation to prevent business monopoly.

Neither the Courts nor the Executive Branch, however, have effective weapons to deal with concentrated union monopoly power. Under Section 6 of the Clayton Act, which was approved in 1914, most activities of labor unions are specifically exempted from the antitrust laws. It is my considered conviction that we must now establish equality of treatment before the law for all organized groups — labor as well as business — in our economy. During the early days of the labor movement, there may have been some justification for labor unions receiving special treatment under the antitrust laws. Today, they have great financial resources and exercise vast political and economic power. Special treatment is no longer justified.

Accordingly, I intend to support legislation when the Congress reconvenes to eliminate this discrimination by amending Section 6 of the Clayton Act.

All my efforts will be directed to preserving a competitive economy providing maximum freedom for labor and capital. This is the way to produce continued gains in real income for everyone.

HUMAN EVENTS was founded in 1944 by Frank C. Hanighen. It is published weekly at 1835 K Street, N.W., Washington 6, D. C. and reports from Washington on politics, business, labor and taxes. It is usually published in two parts: a 4-page news section and a 4-page article. $10 per year.

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